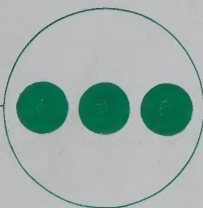


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SPECIAL REPORT

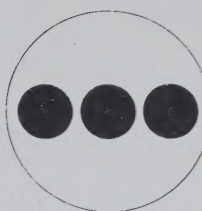


Doherty McCuaig Limited

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HARDING CARPETS LIMITED

Doherty McCuaig Limited




D ARCY M DOHERTY *	PHILIP N HOLTBY *
W S GRAY *	CLIFFORD T LOW *
COLIN F MAASS *	D G BANNERMAN *
J R BARTON	J COLQUHOUN
ERIC T DONNELLY	R E EWING
JOHN FAIRLIE	IAN A FALCONER
C T HUGHES	T F MILLIGAN
W J O CONNOR JR	GEORGE M TAPP

* EXECUTIVE COMMITTEE

H A R D I N G C A R P E T S L I M I T E D

May, 1972

MEMBERS: PRINCIPAL CANADIAN STOCK EXCHANGES, THE INVESTMENT DEALERS ASSOCIATION OF CANADA
OFFICES: ONTARIO — QUEBEC — ALBERTA — BRITISH COLUMBIA — W. GERMANY



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HARDING CARPETS LIMITED

May, 1972

Recent Price Class A Shares	: \$19.00	Class A o/s	: 1,094,850 shares
1972 Price Range Class A Shares	: \$14¼-\$20	Historic P/E Range*	: 20.5X-11.3X
Earnings per share Oct. 1971	: \$ 0.80	1971 P/E	: 23.8X
Est. Earnings per share Oct. 1972	: \$ 1.15	1972 P/E	: 16.5X
Est. Earnings per share Oct. 1973	: \$ 1.40	1973 P/E	: 13.6X
Est. Earnings per share Oct. 1974	: \$ 1.70	1974 P/E	: 11.2X
Est. Earnings per share Oct. 1975	: \$ 2.10	1975 P/E	: 9.0X
Dividend	: \$ 0.48	Yield	: 2.53%

* Average high and low P/E multiple of past five years.

SUMMARY AND CONCLUSION

Harding's earnings proved somewhat erratic between 1967 and 1971, but this was a period in which government measures aimed at cooling the economy precipitated a cyclical downturn. We believe that the expansionary policy, which the Canadian Government is now employing, is producing a cyclical upturn in the economy of which Harding Carpets Ltd. will be a major beneficiary. The following positive fundamentals will result in a period of strong growth for the Canadian carpet industry:

- 1) The 30% plus expansion of the peak-spending 25-29 year-old age group in the 1970 to 1975 period,
- 2) high rates of annual household formation,
- 3) the present boom in housing,
- 4) increasing per capita disposable income,
- 5) the strong upsurge in consumer spending,
- 6) an expanding number of applications for carpeting, and
- 7) the resulting trend toward increased consumption of carpeting per household.

As Canada's largest and one of Canada's most efficient carpet manufacturers, Harding, with its reputation for producing a high quality product, is in an excellent position to take advantage of these positive industry fundamentals and emulate the excellent growth trend it achieved in the 1961-66 period. For these reasons, we consider the Class A shares an excellent buy for medium term capital growth.

THE INDUSTRY

Between 1961 and 1970, the Canadian carpet industry (exclusive of exports and automotive carpet) grew at a compound rate of 14.5% per annum. Sales of domestic producers during this period increased at 15.8% annually, slightly ahead of the industry as a whole.

This attractive industry growth rate naturally meant that an increasing number of companies entered the industry. In 1956, there were four mills operating in Canada. In 1970, this number had increased to 26. Despite this apparent increase in competition, Harding's sales increased at a compound rate of 16.5% in the 1961 to 1970 period or faster than the domestic industry as a whole.

As the following table indicates, imported carpets, as a percentage of total carpet sales, have declined over the 1961-1970 period. Two factors have played a roll in this trend. First, Canadian-made carpets have remained competitive from a style and quality standpoint. Secondly, the industry enjoys high tariff protection. The tariff which totals approximately 30% is comprised of a fixed 20% duty and an additional charge of 5¢ per square foot. Gradual reduction in the rates of duty resulting from the Kennedy Round of G.A.T.T. negotiations has had little effect on generating increased import sales to date.

TABLE I

CANADIAN CARPET MARKET*
(square yards)

	<u>Domestic Manufacturing Carpet</u>	<u>Imported Carpet</u>	<u>Total Industry Sales</u>	<u>Domestic as % of Total</u>
1970	33,646,000	4,158,000	37,804,000	89.0
1969	33,395,000	4,511,000	37,906,000	88.1
1968	27,263,000	3,930,000	31,193,000	87.4
1967	22,490,000	2,865,000	25,355,000	88.7
1966	20,796,000	2,729,000	23,525,000	88.4
1965	16,419,000	2,453,000	18,872,000	87.0
1964	13,783,000	2,023,000	15,806,000	87.2
1963	10,487,000	1,512,000	11,999,000	85.8
1961	8,985,000	2,218,000	11,203,000	80.2

* Exclusive of exports and automotive carpet.

One of the key leading indicators of industry growth is construction starts. Recently released figures show that the required housing boom is continuing. Construction started on 13,647 new houses and apartment units in March, 48.3% more than in March one year ago. For the first three months of 1972, construction activity was at the rate of 266,800 units per year. This was 9.4% above the 243,900 units in the third quarter of 1971 and 11.6% above the 239,100 units of the last three months of 1971. Construction starts at this time of year are indicative of carpet sales potential in late 1972 and early 1973.

The demand buildup for housing and hence for durables such as carpets will result from a 30.9% increase in the peak-spending 25-29 year old age group in the 1970-75 period and will be supplemented by a projected 14.9% increase in the 20-24 year old age group. Net annual family formations have been in a steep uptrend since 1962. The Economic Council of Canada's projections indicate perhaps optimistically, that new households will be formed at the rate of about 180,000 per annum from 1970 to 1975, a rate that is more than 50% higher than in the 1960-65 period. However large this stepped-up growth is, it is still small in relation to the existing stock of households (approximately 5 million). Therefore, rising incomes can be considered a more powerful factor in determining the demand for durables such as carpet. This trend too is positive as the following table indicates.

TABLE II
CONSUMPTION TRENDS*

	Canadian Per Capita Personal Disposable Income	Total Consumption of Carpet (1000's of sq. yds)	Consumption of Carpet Per Household (Sq. Yds)
1961	\$1,437	11,203	2.46
1962	1,535	11,736	2.49
1963	1,608	11,999	2.47
1964	1,679	15,806	3.14
1965	1,822	18,872	3.74
1966	1,973	23,525	4.54
1967	2,097	25,355	4.76
1968	2,236	31,193	5.67
1969	2,370	37,906	6.65
1970	2,390	37,804	6.47

* Exclusive of exports and automotive carpet.

To simplify comparison, the following index was compiled using the preceding table with 1961, the base year, equalling 100.

TABLE III

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Cdn. Per Capita Disposable income	100	107	112	117	127	137	146	156	165	166
Total Consumption of Carpet	100	105	107	141	168	210	226	278	338	337
Consumption per household	100	101	100	128	152	185	193	230	270	263

Continuing growth of disposable income and the existing buildup in residual savings indicate that the present upswing in consumer spending can continue.

Consumption of carpet per household in Canada continues to be some 25% below consumption per household in the U.S. In both cases the trends indicate increasing consumption per household. The Canadian market is therefore not approaching a saturation point.

TABLE IV

CONSUMPTION OF CARPET PER HOUSEHOLD
(sq. yds.)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Canada	2.46	2.49	2.47	3.14	3.74	4.54	4.76	5.67	6.65	6.47
U.S.	3.07	3.66	4.08	4.73	5.41	5.94	6.37	7.61	8.59	8.41

The superior consistency, durability, relative inexpensiveness and multiplicity of new uses of carpet produced from synthetic fibres has resulted in rapid growth of this product as opposed to wool carpet. This factor together with increased industry competition, decreasing raw material prices and improved production techniques has led to a stabilization of carpet prices during the past decade. At the present time, it appears that man-made fibre prices have bottomed out, with a moderate firming of prices evident. Carpet prices may therefore increase in the 1970's although innovative production techniques such as screen printing are significantly improving the productivity of manufacturers.

perspec (harding)

guest

Harding Carpets Ltd. of Brantford, Canada's largest ~~xxxxxx~~ carpet manufacturer and one of its most efficient, is the subject of a recent study by Toronto-based Doherty McCuaig Ltd., which thinks it probable the company's Class A shares will be selling at a price of about \$38 ~~i~~ by the spring of 1975 and ~~therefore~~ recommends ~~their purchase~~ their purchase. The price at the time of the study was \$19.

Doherty says the present expansionary policy of the Canadian Government is producing a cyclical improvement in the economy, of which Harding will be a major beneficiary. It adds ~~xx~~ that a period of strong growth for the Canadian carpet industry will result from these factors:

- an expansion of more than 30 per cent ~~from~~ in the age group between 25 and 29 during the period from 1970 to ~~1975~~ 1975, ~~significant~~ significant because ~~on average~~ *These* ~~this is~~ *are* peak spending ~~period~~ *years*.
 - the high rates of ~~any~~ ~~annual~~ household formation,
 - the housing boom.
 - increasing per capita disposable income.
 - the strong surge in consumer spending.
 - an expanding number of applications for carpeting, and the resulting trend toward increased consumption of carpeting per household.
- a next*

HARDING CARPETS LIMITED(I) History

Incorporated in Ontario on July 7, 1927, Harding's shares have been listed on the TSE since January 10, 1935. Harding has grown to its present size by being a leader and an innovator in the Canadian carpet industry. For example, it operated the first balanced seamless carpet weaving plant in Canada and was the first Canadian carpet mill to weave seamless spool Axminster. Today, it is one of only two companies in Canada with capability in screen printing.

Acquisitions have also played an important role in corporate growth. Beginning with the acquisition of an interest in the Guelph Carpet & Worsted Spinning Mills Ltd. in Oct. 1941, Harding absorbed several smaller firms over the years culminating most recently in the 1965 acquisition of L&G Floor Coverings Ltd., a carpet wholesaling firm and exclusive distributor of Harding's products in Ontario. This latter acquisition was the first step toward forward integration in 1969, a move which while initially costly, is now beginning to prove its worth. Today, Harding is the largest single carpet manufacturer in Canada with an estimated 15-20% of the Canadian market.

(II) Plant

Harding owns three manufacturing facilities. The 400,000 square foot facility in Brantford and the 225,000 square foot Collingwood plant manufacture carpet. A 140,000 square foot plant in Guelph spins yarns. The Brantford plant will require and is planning expansion within the next few years. Land is available and the expansion will be financed from cash flow.

(III) Distribution

Nationwide distribution is handled through four regional subsidiaries. Harding Carpets (Western Ltd.) - owns distribution centres in Vancouver, Calgary and Winnipeg and maintains sales offices and satellite warehouses in Edmonton and Regina.

Harding Carpets (Ontario) Ltd. - owns a warehouse in Rexdale, Ontario and a sales office and satellite warehouse in London, Ontario.

Les Tapis Harding (Quebec) Ltee. - owns a distribution center in Montreal.

Harding Carpets (Atlantic) Ltd. - Operates the Moncton distribution centre in addition to a sales office and satellite warehouse in Halifax N.S.

(IV) Sales Breakdown

(a) Geographic	Ontario	40%
	Western Canada	30%
	Quebec	20%
	Maritimes	10%

(b) By Type - Approximately 35-40% of Harding's revenue is derived from contract sales, with the remaining 60-65% coming from residential purchases. The first relates to commercial or institutional construction (office buildings, apartments, hospitals, schools). The second is responsive to housing starts. Increasing institutional usage of carpet has led to a more rapid rate of growth of contract sales in recent years. The installment of carpet by builders as a selling tool for housing is reinforcing this trend.

(V) Customers

The largest proportion of Harding's carpets (estimated 40-45%) are sold through the major Canadian department store chains such as Eatons, Simpsons, Hudsons Bay Company, Woodward's and, most recently, Woolco.

(VI) Competition

Market share statistics are not available as the majority of Canadian carpet mills are private, or wholly-owned by multi-product organizations. Harding, it is estimated, is the largest carpet producer in Canada with 15-20% of the market. Others in the industry include: Chemcell, Peerless, Armstrong, Kraus, Toronto Carpet (or Barrymore) and Bigelow.

(VII) Products

Prior to 1960, Harding was completely dependent on woven products. A steady decline in the market for these products since that time has resulted in Harding phasing out production of most of these carpets. New and improved man-made fibres along with the tufting process made possible products and stylings which are durable, economical and hence adaptable to a broader range of new uses. Giving further impetus to tufting as a means of producing carpet, the major development of recent years is screen printing to produce a multi-colour patterned styling. This enables a company such as Harding, to carry a reduced inventory of single coloured cut or loop pile or flat needlepunch carpeting on which colour and design printing can be done to order as needs present themselves. Colour fastness is superior to that obtainable in dyed carpets and productivity is improved significantly. Costs are cut and a far broader range of styles can be offered at little additional cost. The importance of this innovation cannot be overstressed.

Today, Harding continues to weave tapestry or Velvet Carpet although the bulk of its sales are of tufted and "Design Dyed" products in the mid to upper price range (\$5 to \$20 per square yard). It also sells underpadding and manufactures the currently popular indoor-outdoor carpet and tiles. Wall carpeting is produced and is finding growing acceptance especially in the commercial field because of its superior sound dampening characteristics.

Harding is also manufacturing the artificial "Tartan Turf" for the CNE football field in Toronto under a subcontract from 3M Company and is hopeful that more work of this nature will be forthcoming.

(VIII) Product Development

The company maintains a sizeable research facility which acts as a pilot plant in the development and testing of new products. Technical consulting services are available through reciprocal arrangements with certain U.S. mills.

(IX) Raw Materials - Suppliers

Almost 100% synthetic, the bulk of the nylon and acrylon fibre purchased comes from Dupont and Monsanto. Yarns and fibres are purchased from a large number of smaller sources.

(X) Labour Contracts

Harding has three major wage settlements to make. The contracts are staggered to prevent a complete shutdown of operations in the advent of a strike. The last major strike lasted nine weeks at the Guelph Plant between April 12, 1971 and June 14, 1971, seven weeks of which affected the third quarter of fiscal 1971. Present contracts expire as follows:

May 24, 1972 - Brantford employees
January, 1973 - Guelph employees
January, 1974 - Collingwood employees

While no strikes are anticipated at this time, the possibility exists. Any share price weakness during a strike should be used as a buying opportunity.

(XI) Expenditures - Plant and Equipment

In the past three years, Harding has spent approximately \$6.5 million to update its facilities. Major items of expenditure have included the acquisition of distribution centres, a 36,000 square foot addition to the Collingwood plant and additional tufting machines in 1969. In 1970, the continuous dyeing plant was built. Additions to the Brantford and Collingwood plants were made and spinning capacity of Collingwood was doubled. The screen printing plant, additional tufting machines, additions to the pilot plant and pollution control equipment were the major areas of expense in 1971. In 1972, Harding will be spending \$1.7 million to add a major addition to boiler capacity in Brantford, add a second drying line, install additional yarn spinning and processing equipment and to increase floor space at the Rexdale, Ontario distribution centre by 50%.

These expenditures have kept Harding abreast of industry technology and strengthened its position in the industry. As they were made during a period when industry fundamentals were to a large degree negative, the benefits did not immediately flow through to the profit level. The current cyclical upswing of the industry can therefore produce significant improvements in Harding's profit margin. The screen printing plant is particularly important in this respect.

(XII) Financing

On February 1, 1972, additional financing was arranged by a private placement of \$3.2 million Series C 8 5/8%, 20 year sinking fund debentures at par. The sinking fund on the Series C debentures does not commence until Feb. 1, 1974. The funds from this issue were applied to retire the 6% Adjustment Assistance Board loan due 1974 and an 8% mortgage. The balance of the proceeds were applied against bank borrowings. No additional financing appears to be imminent at this time.

On the short term side of the coin, Harding has consistently maintained high levels of bank borrowings (\$5.6 million as at Oct. 31, 1971). These loans have been used primarily to finance inventory. Here too, improvements are in progress. The general trending downward of interest rates from 1970-71 highs has substantially decreased the costs of carrying this debt. Since Harding established its own distribution system in 1969, inventory costs have become more important. Management policy since that time has been geared to increasing sales on lower inventory. As the following table indicates, management has kept inventories relatively flat since the distribution system was established.

TABLE V
INVENTORY TURNOVER

	<u>Sales</u> ('\$000's)	<u>Inventory</u> ('\$000's)	<u>Inventory Turnover</u>
1963	12,058	3,732	3.2X
1964	15,001	4,472	3.4X
1965	19,350	5,015	3.9X
1966	22,089	6,725	3.3X
1967	22,040	7,428	3.0X
1968	24,958	8,359	3.0X
1969	26,842	11,324	2.4X
1970	30,035	11,274	2.7X
1971	32,967	11,396	2.9X

Between 1969 and 1971, the value of inventories on hand at year end increased 0.6% while sales during the period increased 22.8%. We believe that productivity improvements made during the past several years coupled with more buoyant carpet markets in the 1972-75 period will enable management to make significant progress in inventory turnover. Hence, borrowing costs per unit of carpet sold should also improve significantly in the years ahead.

FINANCIAL FORECAST

A study conducted for the Economic Council of Canada has predicted that carpet industry sales in Canada will be some 90% greater in 1975 than they were in 1970. For the purpose of our sales projection for Harding, we have assumed that the company will maintain market share throughout this period. In the 1960's it will be remembered, the company surpassed the rate of growth of the industry.

As the following quarterly analysis demonstrates, the real upsurge in carpet sales began in the third and fourth quarters of Harding's fiscal 1971 year and has continued into the first quarter of fiscal 1972.

TABLE VIQUARTERLY REVIEW

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
<u>1970</u>				
Sales (000's)	\$7,097	\$8,359	\$7,097	\$7,525
% Change *	+12.7	+26.7	+ 4.9	+ 4.8
Earnings (000's)	181	342	181	307
% Change	-58.7	-27.5	-60.7	-34.3
Earnings/share	0.12	0.21	0.12	0.19
<u>1971</u>				
Sales (000's)	7,238	7,864	8,406	9,459
% Change	+ 2.0	- 5.9	+18.4	+25.7
Earnings (000's)	219	196	299	585
% Change	+21.0	-42.7	+65.2	+90.6
Earnings/share	0.14	0.12	0.18	0.36
<u>1972</u>				
Sales (000's)	9,025			
% Change	+24.7			
Earnings (000's)	528			
% Change	+141.1			
Earnings/share	0.32			

* In each case % change refers to a comparison between a figure and the same figure from the comparable quarter a year earlier.

It is therefore expected that while fiscal 1972 will show excellent growth in sales and earnings, first and second quarter figures will compare more favourably with year ago results than will second half results this year.

Assumptions used in preparing the projections below are explained in the notes which follow.

TABLE VII

EARNINGS FORECAST
(000's)

<u>Fiscal year Oct. 31st.</u>	<u>--- Actual ---</u> <u>1970</u>	<u>1971</u>	<u>Est.</u> <u>1972</u>	<u>----- Projected -----</u> <u>1973</u>	<u>1974</u>	<u>-----</u> <u>1975</u>
Sales	\$30,035	\$32,967	\$38,000	\$43,300	\$49,400	\$56,300
Cost of Sales	22,141	24,189	27,500	31,500	36,150	41,300
Gross Profit	7,894	8,778	10,450	11,800	13,250	15,000
Less:						
Selling, Admin. & Dist.	5,245	5,466	6,000	6,500	7,000	7,600
Debenture Interest	423	406	607	588	570	550
Other Interest	465	430	182	180	180	180
Government Grant	(252)	(63)	(63)	(56)	-	-
	5,881	6,239	6,726	7,212	7,750	8,330
Pretax Profit	2,012	2,539	3,724	4,588	5,500	6,670
Income Taxes	960	1,240	1,825	2,248	2,640	3,135
Net Income	1,052	1,299	1,899	2,340	2,860	3,535
Earnings per common and Class A share	0.66	0.80	1.15	1.40	1.70	2.10
Dividend per share	0.48	0.48	0.48	0.48	0.48	0.48

NOTES

- 1) Sales are estimated to increase 15% in fiscal 1972. Thereafter, the year to year growth is taken at 14%. Overall sales growth between 1970 and 1975 amounts to 87.5% or marginally below the E.C.C. study's projection.
- 2) Harding is expecting to improve its gross profit margin in the years ahead. In fiscal 1971, the margin was 26.6%, not high in relation to historical levels. In the first quarter of 1972, a gross margin of 29.6% was indicated which compares with a margin of 27.2% in the year earlier period. For the full year 1972, we are estimating a gross margin of 27.5% up from the 26.6% level of fiscal 1971. This will be the net result of a leveling of depreciation

charges and unit costs of raw materials, increased wage costs throughout the last five months of fiscal 1972, and significant improvements in productivity with the screen printing plant now fully operational. In the fiscal 1973-75 period, we have assumed gradual but not serious deterioration of the gross profit margin as technology improvements producing optimum efficiency are offset by increasing labour and raw material costs.

- 3) Selling, Administrative & Distribution expenses are estimated to increase by 10% in fiscal 1972 and thereafter by 8% per year through to 1975. Distribution expenses are estimated to comprise the bulk of this cost with commissions to salesmen being the next most important item. Both are responsive to sales volume, though S.A. & D. expenses in total do not react in a one to one relationship with changes in sales volume.
- 4) Debenture interest will increase substantially this year as a result of the recent secondary offering of Series C debentures. As sinking fund installments on the Series C debentures do not commence until Feb. 1, 1974, and as the Series C debentures represent nearly 40% of Harding's long term debt outstanding, interest on long term debt will tend to remain at relatively high levels through to 1975.
- 5) Other interest is expected to decrease substantially as bank borrowings were reduced by nearly \$1.6 million with the proceeds from the Series C debentures. At the same time sales are expected to increase significantly without a corresponding increase in inventory levels. A general trending downward of interest rates coupled with a very gradual increase in inventory is expected to keep interest costs on short term borrowings relatively constant following the decline in fiscal 1972.
- 6) The balance of the Area Development grants in respect to capital expenditures in Collingwood will be taken into income in 1972 and 1973 in accordance with the practice established in prior years. The Government grant taken in in 1972 will be the same as that for fiscal 1971. The remaining \$56,000 will be used up in fiscal 1973.
- 7) Harding's tax rate in fiscal 1971 was 48.8%. In accordance with Federal and Provincial reductions in corporate income taxes we have assumed an effective tax rate of 49.0% in fiscal 1972 and 1973. In fiscal 1974 a rate of 48.0% was applied and in fiscal 1975, a rate of 47.0% was used.
- 8) At Oct. 31, 1971, a combined total of 1,627,274 common and Class A shares were outstanding. Moderate dilution will be caused by stock options which were outstanding on a further 44,650 shares. The earnings per share figures used are rounded off to the nearest five cents which in all instances falls between the undiluted and diluted earnings per share figure. No earnings were imputed for monies to be received from exercise of stock options.

EXPECTED RATE OF RETURN

Harding's shares have established an average high P/E ratio in the past five years of 20.5 times earnings. The average low P/E on a similar basis was 11.3 times earnings. In the 1972 to 1975 period we expect that the strong anticipated rate of growth should keep the P/E multiple in the upper part of this range. If one assumes that Harding's Class A shares will be capable of selling at 18 times projected 1975 earnings 56 months hence in April, 1975 the following present values exist. For purposes of simplicity, the current annual dividend rate of 48¢ per share is assumed to remain constant.

P/E 18.0X

<u>Discount Rate</u> <u>% Per Annum</u>	<u>Terminal Value</u> <u>April, 1975</u>	<u>Approximate</u> <u>Present Value</u>
10%	\$37.80	\$28.93
15%	37.80	25.34
20%	37.80	22.31
25%	37.80	19.72

For purposes of comparison, if a more conservative multiple of 15 times fiscal 1975 earnings is used, the following present values are implied:

P/E 15.0X

10%	31.50	24.20
15%	31.50	21.20
20%	31.50	18.66
25%	31.50	16.50

We therefore believe that Harding Class A shares will provide an excellent rate of return for the investor over the next three years.

MARKETABILITY

As at Oct. 31, 1971 there were 532,424 common shares outstanding. At the same date 1,094,850 Class A shares were outstanding. Of the 532,424 common (or voting) shares approximately 380,000 shares are floating. Virtually all of the Class A (or non-voting) shares are floating.

Using the April 24, 1972 closing bid of \$19½ for the Class A shares, the market value of this class of shares in floating supply was \$21,349,575.

DAVID F. BAIRD
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Doherty McCuaig Limited

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